

CHAPTER XI

THE EFFECT OF WAR UPON THE PRICES OF SECURITIES

THE effect of war upon the values of investment will obviously depend upon its range—whether it be limited to a country and any of its dependencies (although in the case of India complications with other Powers might probably occur to expand the effect), or whether it be a conflict between independent nations. In the latter case, especially so far as general commerce is concerned, the position is intensified by the apprehension respecting the future, since all bargains and enterprises are necessarily founded on the presumption that the future is not likely to prove divergent from the past beyond the range of reasonable limits. No interchange of business would be practicable unless some valid workable assurance were feasible on this continuity of experience. Existent and definite burdens upon trade produce a markedly inferior hindrance to industrial effort than does uncertainty concerning the probable course of future events. And so intimately allied are the various markets of the world for money and commerce that the disturbance of one inevitably involves, and almost instantly, the dislocation of the rest, when the chain which binds the whole into a unity of interests is sundered at any link.

The primary effect resulting from a declaration of war (omitting for the moment the disruption of international commercial exchanges of goods and the apprehension affecting credit) is that of unproductive expenditure—expenditure which does not by economic use result in the creation of additional wealth for wider enterprises and extending productiveness. Even should one warring nation wrest in conquest a province (with the benefit of its local industries) from another nation, the gain is simply the transfer of a source of wealth or resources,